

Office of the Legislative Auditor

State of Montana



Report to the Legislature

December 1992

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 1992

Office of the Governor and Lieutenant Governor

This report contains recommendations for improvement in the office's operations. Items addressed in the report include:

- ▶ Transfer of Clark Fork account fund balance to the General Fund.
- ▶ Compliance with state laws and policies on contracted services and approval of federal assistance applications.
- ▶ Revenue classifications.

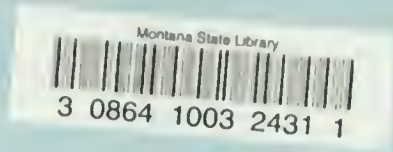
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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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Helena, MT 59620

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

December 1992

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 1992. Included in this report are recommendations concerning compliance with state laws and policies, revenue classifications, and a fund balance transfer. The office's response is contained at the end of the report.

We thank the Governor, Lieutenant Governor, and their staffs for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", written over a horizontal line.
Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1992

Office of the Governor and Lieutenant Governor

Members of the audit staff involved in this audit were: Laurie Evans, Renee Holman, Cindy S. Jorgenson, Jim Manning, Lorry Parriman, and Kris Wilkinson.

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Elected and Administrative Officials

Office of the Governor and Lieutenant Governor

Governor	Stan Stephens
Chief of Staff	John Kinna
Lieutenant Governor	Dennis Rehberg
Chief of Staff	Marjorie Hannah
Centralized Services Manager	Mary Jo Murray

Summary of Recommendations

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

<u>Recommendation #1</u>	We recommend the office seek approval from the corporation to use excess funds for other than what was specified in the letter of agreement or return the excess funds to the corporation.	5
	<u>Office Response:</u> Concur. See page B-3.	
<u>Recommendation #2</u>	We recommend the office form a written agreement for contracted services in compliance with state policy.	6
	<u>Office Response:</u> Concur. See page B-3.	
<u>Recommendation #3</u>	We recommend the office seek legislation to repeal section 17-3-104, MCA, relating to the federal clearinghouse function.	6
	<u>Office Response:</u> Concur. See page B-3.	
<u>Recommendation #4</u>	We recommend the office properly classify federal indirect cost revenues on the state's accounting records.	8
	<u>Office Response:</u> Concur. See page B-3.	

Introduction

Introduction

We performed a financial-compliance audit of the Office of the Governor and Lieutenant Governor (the office) for the two fiscal years ended June 30, 1992. The objectives of the audit were to:

1. Determine if the office complied with applicable federal and state laws and regulations.
2. Determine the implementation status of prior audit recommendations.
3. Recommend improvements in the management and internal controls of the office.
4. Determine if the financial schedules present fairly the office's results of operations for the two fiscal years ended June 30, 1992.

The four recommendations in this report address areas where the office can improve compliance with laws and regulations and state accounting policy. In accordance with section 5-13-307, MCA, we analyzed and disclosed, if significant, the costs of implementing the recommendations made in this report.

Areas of concern deemed not to have a significant effect on the successful operations of the office's programs are not specifically included in this report, but have been discussed with management.

Background

The Governor's Office was created upon acceptance of Montana into the Union in 1889 and is provided for in Article VI of the Montana Constitution. The following paragraphs discuss the functions of the various programs administered by the Office of the Governor and Lieutenant Governor and budgeted full-time equivalent (FTE) positions for each program. The office had a total of 59.5 FTE positions budgeted for fiscal year 1991-92.

Executive Office - oversees and directs the activities of the executive branch agencies to ensure responsible and responsive government for the people of Montana (21.5 FTE).

Introduction

Lieutenant Governor - performs duties prescribed by the law and those delegated to him by the Governor. The Lieutenant Governor's Office serves as the liaison between state and local governments (4.0 FTE).

Office of Budget and Program Planning - assists the governor in planning, preparing, and administering the state budget; develops and evaluates alternative program plans for providing state government services; acts as the lead executive branch agency for compliance with the federal Single Audit Act (19.0 FTE).

Citizens' Advocate Office - provides accessibility to state government for Montana citizens by providing information to citizens and acting as a referral service to state agencies (1.5 FTE).

Mental Disabilities Board of Visitors - comprised of a five-member board charged with the responsibility of protecting the rights of the mentally ill and the developmentally disabled. The board is also custodian of specific patient accounts at Montana State Hospital (4.5 FTE).

Northwest Power Planning Council - created in 1981, pursuant to The Pacific Northwest Electric Power Planning and Conservation Act of 1980. The goals of the council are to plan for the Northwest's electric power needs, protect and rehabilitate fish and wildlife resources, and encourage public involvement in regional decisions (6.5 FTE).

Mansion Maintenance - maintains the Governor's official residence and provides security coverage for the Governor and his family (1.5 FTE).

Air Transportation - provides transportation for the Governor and his staff. (1.0 FTE)

Prior Audit Recommendations

Prior Audit Recommendations

Our prior audit report, for the two fiscal years ended June 30, 1990, contained four recommendations to the office. Of the four recommendations, one was implemented, two were partially implemented, and one was not implemented. The recommendation not implemented relates to a state law requiring the approval of applications for federal assistance and is discussed on page 6. The recommendations partially implemented relate to contracted services and documentation of data processing systems. Contracted services are discussed on page 5. Documentation of the office's data processing systems is discussed below.

System Documentation

The office uses the state's mainframe computer to perform its data processing functions. The primary systems include the Executive Budget System, the Legislative Appropriation System, and the Revenue Estimation System at the Office of Budget and Program Planning (OBPP). The systems contain appropriation and budget information and generate some Statewide Budgeting and Accounting System (SBAS) input documents.

Previously, OBPP had not flowcharted its systems or documented the processing, edit, or other information necessary to fully understand the systems. Documentation of systems would assist office personnel in understanding the systems and evaluating the need for, or impact of, any modifications and facilitate a smoother transition in the event of employee turnover. We determined OBPP developed documentation for two of the three systems. The office developed user's instructions for the third system, the Executive Budget System. Because some documentation now exists on the systems, we make no further recommendations at this time, although we will continue to monitor system documentation in subsequent audits.

Findings and Recommendations

General Fund Transfer

The state and a private corporation formed an agreement where by the corporation would provide funds to clean up pollution in the Clark Fork drainage. During fiscal year 1989-90, the corporation provided the Governor's Office with \$750,000 to fund the project, which resulted in the Governor's Office establishing the Clark Fork account on its accounting records. The Governor's Office contracted with a private engineering firm for the cleanup services. The \$750,000 was used to pay the contract costs.

In the letter of agreement, the corporation specified the \$750,000 was to be placed in an interest bearing account, with both the principal and interest used for completion of the project. In a second letter, the corporation specified neither the principal nor the interest was to be used to fund any other aspect of state government. During the course of the cleanup, the invested funds earned interest totalling \$76,229. After completion of the project, the fund had a remaining balance of \$29,628. Governor's Office personnel indicated the remaining balance was not needed to complete the cleanup.

House Bill 2 from the January 1992 Special Session directed the Governor's Office to transfer \$28,000 from the Clark Fork account to the General Fund during fiscal year 1991-92. The Governor's Office transferred the \$29,628 remaining balance in the Clark Fork account to the General Fund. Agency personnel stated the corporation was aware the remaining balance existed and did not request reimbursement. Agency personnel, however, can not provide documentation which verifies the company was informed of the balance and the intent to transfer the funds to the General Fund.

Findings and Recommendations

Recommendation #1

We recommend the office seek approval from the corporation to use excess funds for other than what was specified in the letter of agreement or return the excess funds to the corporation.

Compliance with State Laws

During our audit, we tested compliance with selected state laws and policies pertaining to the operations of the office. We noted instances where the office did not comply with provisions of state law and policy. These instances are discussed in the following report sections.

Written Agreement for Contracted Services

The office pays for co-pilot services provided during use of the Governor's airplane. Although the office classifies these services as contracted services, there is not a written agreement for services between the office and the individual acting as the co-pilot. The co-pilot is present on flights involving the Governor's airplane. The individual is paid an hourly rate while functioning as the co-pilot. The co-pilot is also paid at state rates for meals and lodging when in travel status.

State policy requires a written agreement for contracted services. Some items to include in the agreement are duties of the co-pilot, compensation paid to the co-pilot, and proof of workers' compensation coverage. We also addressed lack of written contracts in the prior audit report.

Office personnel indicated the co-pilot previously worked at the Department of Commerce. Because the Department of Commerce paid the co-pilot at an hourly contracted services rate, the office continued the practice.

Findings and Recommendations

Recommendation #2

We recommend the office form a written agreement for contracted services in compliance with state policy.

Requesting Federal Assistance

According to state law, the office is responsible for coordinating requests for financial assistance from the federal government for all state agencies through its clearinghouse function. Section 17-3-104, MCA, states, "All applications made by state agencies for federal assistance program funds, with the exception of university system research grants, must be approved by the governor prior to their submission to the federal authorities." Requests for federal assistance were not approved by the governor during the current audit period. This issue was also discussed in our prior audit report.

The Legislature eliminated the appropriation authority for the clearinghouse function during the January 1992 Special Session because federal regulations no longer require states to perform this function. However, the state law requiring the office to perform this clearinghouse function was not eliminated. Because of the change occurring during the January Special Session, office personnel indicated they will request a repeal of the clearinghouse law.

Recommendation #3

We recommend the office seek legislation to repeal section 17-3-104, MCA, relating to the federal clearinghouse function.

Findings and Recommendations

Indirect Cost Revenue Classification

State agencies establish objects of revenue on the state accounting records in order to identify the types of revenue they receive. The objects of revenue combine into general revenue classifications established by the Department of Administration for use on a statewide basis. The statewide revenue classifications provide the information necessary to analyze moneys received and estimate future state revenues. State policy outlines the appropriate revenue classifications to use when recording indirect cost revenue.

During our audit, we noted the office assigned indirect cost revenues to inappropriate objects of revenue. This resulted in misstatements in the statewide revenue classifications. Office personnel indicate they were not aware of the proper object of revenue codes to use when recording these revenues. The following table identifies the misstatements by fund, fiscal year, and revenue classification.

Table 1		
<u>Revenue Classification Misstatements</u>		
	Fiscal Year 1990-91 <u>Over(under)stated</u>	Fiscal Year 1991-92 <u>Over(under)stated</u>
<u>General Fund</u>		
Federal Indirect Cost Recoveries	\$ 4,372	\$ 2,754
Charges for Services	(5,101)	(2,754)
Miscellaneous	729	
<u>Special Revenue Fund</u>		
Federal	10,395	16,816
Federal Indirect Cost Recoveries	(10,395)	(16,816)
Source:	Compiled by the Office of the Legislative Auditor from the state's accounting records.	

Findings and Recommendations

Recommendation #4

We recommend the office properly classify federal indirect cost revenues on the state's accounting records.

Legislative Directive to Sell the Governor's Airplane

During the January 1992 Special Session, the Legislature directed the office to "sell the Governor's airplane for an amount sufficient to deposit approximately \$575,000 in the General Fund in fiscal year 1991-92." In addition, the Legislature appropriated \$175,000 to the office for the purchase of another airplane.

In cooperation with the Department of Administration, Property and Supply Bureau, the office contacted airplane brokers to determine demand for and potential sales price of the airplane. The brokers indicated that although a market exists for the airplane, they could not sell the airplane at a price which would net the office \$575,000 after commissions. The following table outlines the sales price, commission, and net proceeds estimated by the brokers.

Table 2			
Estimated Proceeds on Airplane Sale			
	Broker 1	Broker 2	Broker 3
Estimated sales price	\$492,588	\$473,000	\$497,180
Broker commission	<u>25,000</u>	<u>28,380</u>	<u>29,830</u>
Estimated net proceeds	<u>\$467,588</u>	<u>\$444,620</u>	<u>\$467,350</u>
Source: Compiled by the Office of the Legislative Auditor from Governor's Office records.			

Each broker based the estimated sales price on the value listed in the Aircraft Bluebook Price Digest for the airplane. They then adjusted this value for engine mileage and specialized features of the airplane.

Because the market price is below the net proceeds required by House Bill 2 of the January 1992 Special Session, the office did not sell the airplane as directed. Office personnel indicated they will not advertise the airplane for sale until the market allows them to receive net proceeds of approximately \$575,000.

Independent Auditor's Report & Office Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The following independent auditor's report issued on these financial schedules is intended to convey to the reader the degree of reliance which can be placed on the amounts presented. The unqualified opinion on the financial schedules indicates the schedules are fairly stated in all material respects and the reader can rely on the reasonableness of the information presented on these schedules.



STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Office of the Governor and Lieutenant Governor for each of the two fiscal years ended June 30, 1991 and 1992, as shown on pages A-5 through A-13. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Office of the Governor and Lieutenant Governor for each of the two fiscal years ended June 30, 1991 and 1992, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

October 8, 1992

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

	<u>General Fund</u>	<u>Special Revenue Funds</u>
FUND BALANCE: July 1, 1990	\$ <u>0</u>	\$ <u>1,211,589</u>
ADDITIONS:		
<u>Fiscal Year 1990-91</u>		
Budgeted Revenue	25,499	506,783
Direct Entries to Fund Balance	20,532 ¹	(20,532) ¹
Support From State of Montana	2,519,630	
<u>Fiscal Year 1991-92</u>		
Budgeted Revenue	7,000	479,814
Direct Entries to Fund Balance	29,629 ²	(29,629) ²
Support From State of Montana	2,421,596	
Cash Transfers In		<u>174,000</u> ³
Total Additions	<u>5,023,886</u>	<u>1,110,436</u>
REDUCTIONS:		
<u>Fiscal Year 1990-91</u>		
Budgeted Expenditures	2,576,372	1,207,266
Prior Year Expenditure Adjustments	(10,711)	23,154
Prior Year Revenue Adjustments		44
<u>Fiscal Year 1991-92</u>		
Budgeted Expenditures	2,448,979	473,845
Prior Year Expenditure Adjustments	<u>9,246</u>	<u>(1,519)</u>
Total Reductions	<u>5,023,886</u>	<u>1,702,790</u>
FUND BALANCE: June 30, 1992	\$ <u><u>0</u></u>	\$ <u><u>619,235</u></u>

¹See note 5

²See note 6

³See note 7

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

Fiscal Year
GENERAL FUND
Estimate
Actual Revenue
Collection

SPECIAL REVENUE
Estimate
Actual Revenue
Collection

Fiscal Year
GENERAL FUND
Estimate
Actual Revenue
Collection

SPECIAL REVENUE
Estimate
Actual Revenue
Collection

This schedule
beginning

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF BUDGETED REVENUE - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

	Federal Indirect Cost <u>Recoveries</u>	Sale of Documents & <u>Merchandise</u>	<u>Miscellaneous</u>	Charges for <u>Services</u>	Investment <u>Earnings</u>	Grants, Contracts, <u>Donations</u>	<u>Federal</u>	<u>Total</u>
<u>Fiscal Years 1991-92</u>								
GENERAL FUND								
Estimated Revenue	\$3,000	\$ 500	\$ 100					\$ 3,600
Actual Revenue	<u>2,754</u>	<u>3,736</u>	<u>510</u>					<u>7,000</u>
Collections Over (Under) Estimate	\$ <u>(246)</u>	\$ <u>3,236</u>	\$ <u>410</u>					\$ <u>3,400</u>
SPECIAL REVENUE FUND								
Estimated Revenue				\$10,000	\$ 788	\$121,468	\$427,914	\$560,170
Actual Revenue				<u>8,530</u>	<u>788</u>	<u>40,845</u>	<u>429,651</u>	<u>479,814</u>
Collections Over (Under) Estimate				\$ <u>(1,470)</u>	\$ <u>0</u>	\$ <u>(80,623)</u>	\$ <u>1,737</u>	\$ <u>(80,356)</u>
<u>Fiscal Years 1990-91</u>								
GENERAL FUND								
Estimated Revenue	\$5,000	\$ 1,000	\$ 100					\$ 6,100
Actual Revenue	<u>5,101</u>	<u>19,627</u>	<u>771</u>					<u>25,499</u>
Collections Over (Under) Estimate	\$ <u>101</u>	\$ <u>18,627</u>	\$ <u>671</u>					\$ <u>19,399</u>
SPECIAL REVENUE FUND								
Estimated Revenue		\$ 500	\$ 500		\$ 30,527	\$132,031	\$432,230	\$595,788
Actual Revenue		<u>15</u>	<u>11,567</u>		<u>16,968</u>	<u>72,458</u>	<u>405,775</u>	<u>506,783</u>
Collections Over (Under) Estimate		\$ <u>(485)</u>	\$ <u>11,067</u>		\$ <u>(13,559)</u>	\$ <u>(59,573)</u>	\$ <u>(26,455)</u>	\$ <u>(89,005)</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

PERSONAL S
Salaries
Employee
Total

OPERATING |
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Supplies
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¹See note 8

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OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
 SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT & FUND
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 1992

	Governor's Office	Mansion Maintenance	Air Transportation	Office of Budget & Program Planning	Northwest Regional Power Act	Lieutenant Governor	Citizens Advocate Office	Mental Disabilities Board Visitors	Total
PERSONAL SERVICES									
Salaries	\$ 636,649	\$25,147	\$ 17,984	\$556,613	\$ 227,193	\$103,719	\$ 44,149	\$117,283	\$1,728,737
Employee Benefits	<u>129,341</u>	<u>6,200</u>	<u>6,940</u>	<u>114,074</u>	<u>46,092</u>	<u>21,796</u>	<u>10,699</u>	<u>27,419</u>	<u>362,561</u>
Total	<u>765,990</u>	<u>31,347</u>	<u>24,924</u>	<u>670,687</u>	<u>273,285</u>	<u>125,515</u>	<u>54,848</u>	<u>144,702</u>	<u>2,091,298</u>
OPERATING EXPENSES									
Other Services	30,922	1,830	12,164	53,490	9,729	1,853	61	8,940	118,989
Supplies & Materials	9,437	12,510	27,011	6,762	2,211	1,555	220	2,423	62,129
Communications	42,814	487	955	10,776	11,081	7,484	19,355	3,824	96,776
Travel	30,592		7,776	2,455	70,312	8,647		14,241	134,023
Rent	33,599			21,366	8,520	6,838		1,485	71,808
Utilities		6,756							6,756
Repair & Maintenance	6,571	529	21,555	4,827	1,673	1,663		2,139	38,957
Other Expenses	<u>55,578</u>	<u>276</u>	<u>224</u>	<u>22,234</u>	<u>22,518</u>	<u>1,802</u>	<u>5</u>	<u>1,296</u>	<u>103,933</u>
Total	<u>209,513</u>	<u>22,388</u>	<u>69,685</u>	<u>121,910</u>	<u>126,044</u>	<u>29,842</u>	<u>19,641</u>	<u>34,348</u>	<u>633,371</u>
EQUIPMENT AND INTANGIBLE									
Equipment	2,065		184,643	7,574	579	289		1,203	196,353
Intangible Assets	<u>186</u>			<u>1,616</u>					<u>1,802</u>
Total	<u>2,251</u>		<u>184,643</u>	<u>9,190</u>	<u>579</u>	<u>289</u>		<u>1,203</u>	<u>198,155</u>
TOTAL PROGRAM EXPENDITURES	<u>\$ 977,754</u>	<u>\$53,735</u>	<u>\$279,252</u>	<u>\$801,787</u>	<u>\$ 399,908</u>	<u>\$155,646</u>	<u>\$ 74,489</u>	<u>\$180,253</u>	<u>\$2,922,824</u>
GENERAL FUND									
Budgeted	\$1,000,682	\$55,848	\$451,554	\$822,635		\$161,123	\$ 60,045	\$139,925	\$2,691,812
Actual	<u>961,594</u>	<u>53,735</u>	<u>276,764</u>	<u>801,787</u>		<u>155,646</u>	<u>60,045</u>	<u>139,408</u>	<u>2,448,979</u>
Unspent Budget Authority	<u>\$ 39,088</u>	<u>\$ 2,113</u>	<u>\$174,790</u> ¹	<u>\$ 20,848</u>		<u>\$ 5,477</u>	<u>\$ 0</u>	<u>\$ 517</u>	<u>\$ 242,833</u>
SPECIAL REVENUE FUND									
Budgeted	\$ 83,584		\$ 10,000		\$ 416,172	\$ 6,000	\$ 15,000	\$ 50,224	\$ 580,980
Actual	<u>16,160</u>		<u>2,488</u>		<u>399,908</u>		<u>14,444</u>	<u>40,845</u>	<u>473,845</u>
Unspent Budget Authority	<u>\$ 67,424</u>		<u>\$ 7,512</u> ¹		<u>\$ 16,264</u>	<u>\$ 6,000</u>	<u>\$ 556</u>	<u>\$ 9,379</u>	<u>\$ 107,135</u>

¹See note 8

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on pages A-10.

PERSONAL S
Salaries
Other Co
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Total

OPERATING
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Rent
Utilitie
Repair &
Other Ex
Total

EQUIPMENT
Equipmen
Intangib
Total

TOTAL PROG

GENERAL FU
Budgeted
Actual
Unspent

SPECIAL RE
Budgeted
Actual
Unspent

¹See note
²See note

This sched

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1991

	Governor's Office	Mansion Maintenance	Air Transportation	Office of Budget & Program Planning	Northwest Regional Power Act	Lieutenant Governor	Citizens Advocate Office	Mental Disabilities Board Visitors	Statehood Centennial ¹ Office	Total
PERSONAL SERVICES										
Salaries	\$ 615,236	\$22,547	\$ 28,163	\$578,973	\$217,175	\$107,532	\$35,471	\$107,600	\$19,104	\$1,731,801
Other Compensation	175									175
Employee Benefits	116,270	5,613	11,015	120,890	42,576	19,975	7,662	24,633	3,740	352,374
Total	<u>731,681</u>	<u>28,160</u>	<u>39,178</u>	<u>699,863</u>	<u>259,751</u>	<u>127,507</u>	<u>43,133</u>	<u>132,233</u>	<u>22,844</u>	<u>2,084,350</u>
OPERATING EXPENSES										
Other Services	795,264 ²	1,966	17,446	89,691	10,441	1,349	30	11,402	9,809	937,398
Supplies & Materials	10,859	14,061	29,784	5,714	2,261	1,018	13	2,785	600	67,095
Communications	45,958	384	1,304	11,998	10,207	5,686	22,081	4,676	1,613	103,907
Travel	41,449		6,300	4,229	76,388	8,554		12,117		149,037
Rent	30,713			20,903	8,280	5,537		1,449	165	67,047
Utilities		5,691								5,691
Repair & Maintenance	5,840	1,533	20,698	4,367	2,472	1,321		2,491		38,722
Other Expenses	71,081	221		21,204	18,087	3,676	101	1,075		115,445
Total	<u>1,001,164</u>	<u>23,856</u>	<u>75,532</u>	<u>158,106</u>	<u>128,136</u>	<u>27,141</u>	<u>22,225</u>	<u>35,995</u>	<u>12,187</u>	<u>1,484,342</u>
EQUIPMENT AND INTANGIBLE ASSETS										
Equipment	3,249	1,248	185,255	14,569	818	3,456		2,402		210,997
Intangible Assets	80			3,589				280		3,949
Total	<u>3,329</u>	<u>1,248</u>	<u>185,255</u>	<u>18,158</u>	<u>818</u>	<u>3,456</u>		<u>2,682</u>		<u>214,946</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,736,174</u>	<u>\$53,264</u>	<u>\$299,965</u>	<u>\$876,127</u>	<u>\$388,705</u>	<u>\$158,104</u>	<u>\$65,358</u>	<u>\$170,910</u>	<u>\$35,031</u>	<u>\$3,783,638</u>
GENERAL FUND										
Budgeted	\$1,007,889	\$59,931	\$302,593	\$896,053		\$183,956	\$76,020	\$136,529		\$2,662,971
Actual	987,956	53,264	299,965	876,127		158,104	65,358	135,598		2,576,372
Unspent Budget Authority	<u>\$ 19,933</u>	<u>\$ 6,667</u>	<u>\$ 2,628</u>	<u>\$ 19,926</u>		<u>\$ 25,852</u>	<u>\$10,662</u>	<u>\$ 931</u>		<u>\$ 86,599</u>
SPECIAL REVENUE FUND										
Budgeted	\$ 806,322				\$398,835			\$ 44,531	\$39,099	\$1,288,787
Actual	748,218				388,705			35,312	35,031	1,207,266
Unspent Budget Authority	<u>\$ 58,104</u>				<u>\$ 10,130</u>			<u>\$ 9,219</u>	<u>\$ 4,068</u>	<u>\$ 81,521</u>

¹See note 5

²See note 6

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR
BOARD OF VISITORS' PATIENT ACCOUNTS
SCHEDULE OF ADDITIONS AND DEDUCTIONS TO AGENCY FUND
PROPERTY HELD IN TRUST
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

Property Held in Trust, July 1, 1990 \$ 185,281

Additions:

Fiscal Year 1990-91	522,979
Fiscal Year 1991-92	<u>576,538</u>
Total Additions	<u>1,099,517</u>

Deductions:

Fiscal Year 1990-91	543,753
Fiscal Year 1991-92	<u>625,548</u>
Total Deductions	<u>1,169,301</u>

Property Held in Trust, June 30, 1992 \$ 115,497

This schedule was prepared from manual records maintained by the Board of Visitors and the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-10.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1992

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental and Fiduciary Funds. In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the office incurs the related liability and it is measurable.

State accounting policy also requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include entire budgeted service contracts even though the office received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. Except for the Schedule of Additions and Deductions to Agency Fund Property Held in Trust on page A-9, the financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The office uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Office Special Revenue Funds include the Clark Fork

Notes to the Financial Schedules

Demonstration Project and the federal grant funds for the Mental Disabilities Board of Visitors and Northwest Regional Power Act.

Fiduciary Funds

Agency Funds - to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The Mental Disabilities Board of Visitors maintains an Agency Fund for specific Montana State Hospital patient funds. The Board of Visitors functions as custodian of accounts for patients who do not have a legal guardian and has fiscal responsibility for patient moneys.

2. Annual and Sick Leave

Employees at the office accumulate both annual and sick leave. The office pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in accompanying financial schedules. The office absorbs expenditures for termination pay in its annual operational costs. At June 30, 1991 and at June 30, 1992, the office had a liability of \$239,380 and \$251,000, respectively.

3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System (PERS). The office's contribution to PERS was \$98,357 in fiscal year 1990-91 and \$101,948 in fiscal year 1991-92.

4. General Fund Balance

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within their appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.

5. **Montana Statehood Centennial Office**
- The 1985 Legislature created the Montana Statehood Centennial Office to administer Montana's centennial activities until the end of fiscal year 1990-91. At the end of fiscal year 1990-91, the Governor's Office recorded a direct entry to fund balance of \$20,532 to transfer the Centennial Office ending fund balance from the Special Revenue Fund to the General Fund. Consequently, the Centennial Office program only appears on the fiscal year 1990-91 schedule of program expenditures.
6. **Clark Fork Account**
- A private corporation involved in a cooperative effort to clean up pollution in the Clark Fork drainage provided funding to the office for a one-time demonstration project on the Clark Fork river. Fiscal year 1990-91 expenditures for the project were \$670,527. The project was completed in fiscal year 1990-91. During the January 1992 Special Session, the 52nd legislature directed the Governor's Office to transfer \$28,000 from the Clark Fork account to the General Fund. During fiscal year 1991-92, the office recorded a direct entry to fund balance transferring fund balance of \$29,629 from the Special Revenue Fund to the General Fund.
7. **Environmental Contingency Account**
- The office maintains an environmental contingency account which is funded from interest income of the Resource Indemnity Trust Fund. Funds are statutorily appropriated from this account for environmental contingencies such as support of emergency water development projects, or to preserve vegetation, water, soil, fish, wildlife, or other renewable resources from imminent physical threat in an emergency. The office received cash transfers from the resource indemnity trust fund of \$174,000 during fiscal year 1991-92. At June 30, 1992, this account had a fund balance of \$611,362. No funds were spent from this account during fiscal year 1990-91 and 1991-92.

Notes to the Financial Schedules

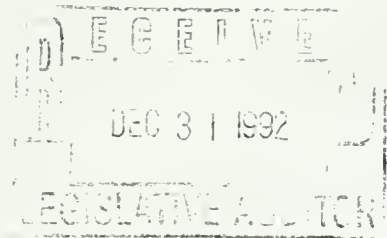
- 8. Airplane Appropriation**
- The Legislature appropriated \$175,000 of budget authority for the purchase of an airplane. The majority of the unspent budget authority on the fiscal year 1991-92 Schedule of Budgeted Program Expenditures resulted from the Governor's airplane not being sold and a new airplane not being purchased.

Office Response



STAN STEPHENS
GOVERNOR

State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111



December 21, 1992

Scott A. Seacat, Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

Following are the Governor's Office responses to the recommendations contained in your financial-compliance audit report for the two fiscal years ended June 30, 1992.

Recommendation #1. We recommend the office seek approval from the corporation [Arco Coal Company] to use excess funds for other than what was specified in the letter of agreement or return the excess funds to the corporation.

Response: We concur with the recommendation and will seek approval from Arco as per the recommendation. Final disposition of this matter will occur by the end of March, 1993.

Recommendation #2. We recommend the office form a written agreement for contracted services in compliance with state policy.

Response: We concur with the recommendation. The Office will either establish a formal written agreement for co-pilot services or seek a partial FTE from the 1993 legislative session to compensate the co-pilot. This determination will be made by the end of April, 1993.

Recommendation #3. We recommend the office seek legislation to repeal section 17-3-104, MCA, relating to the federal clearinghouse function.

Response: We concur. LC0284, currently in draft status with the Legislative Council, amends 17-3-108 MCA and repeals 17-3-104 MCA.

Recommendation #4. We recommend the office properly classify federal indirect cost revenues on the state's accounting records.

Response: We concur. This will be corrected beginning in FY93.

Sincerely,

A handwritten signature in cursive script that reads "John Kinna".

John Kinna
Chief of Staff

